



## **Request for City Council Committee Action from the Department of Community Planning & Economic Development and Health Department**

**Date:** November 18<sup>th</sup>, and November 19<sup>th</sup>, 2013

**To:** Council Member Elizabeth Glidden, Chair, Regulatory, Energy & Environment Committee;  
Council Member Lisa Goodman, Chair, Community Development Committee

**Referral to:** Council Member Betsy Hodges, Chair, Ways and Means / Budget Committee

**Subject:** Request for Authorization to establish a Business Health and Safety Improvement Loan Program to make physical improvements required by code or necessary to the efficient operation of the business in partnership with the Metropolitan Consortium of Community Developers.

**Recommendation:**

1. Direct CPED staff to establish a Business Health and Safety Improvement Loan Program that is consistent with the program summary outlined in this report;
2. Amend the 2013 General appropriation resolution by increasing the Community Planning and Economic Development agency other grants; state & local fund (01600-8900320) by \$139,750. Increase the revenue budget for the Community Planning and Economic Development agency other grants; state & local fund (01600-8900320-322502) by \$139,750;
3. Authorize City Officials to enter into a contract with the Metropolitan Consortium of Community Developers to manage the Business Health and Safety Improvement Loan Program to Minneapolis businesses, using budgeted dollars in fund 00100-8600156

**Previous Directives:** None

Prepared by: Daniel Bonilla, CPED Business Devel and Daniel Huff, Health Department
Approved by: Charles T. Lutz, Deputy Director CPED _____
Catherine A. Polasky, Director, Economic Development _____
Gretchen Musicant, Commissioner, Health Department _____
Appropriation language reviewed by Development Finance _____
Presenters in Committee: Daniel Huff, P:612-673-5863 / Kristin Guild, P: 612-673-5168

## Reviews

Permanent Review Committee (PRC): Approval N.A. Date \_\_\_\_\_

## Financial Impact

Other financial impact: It is anticipated that the Business Health and Safety Improvement Loan Program will be established with approximately \$120,000. This will be a revolving loan program, with additional loans made from repayment revenues. An additional \$19,750 will cover 10-year administrative costs to service the loan.

## Community Impact:

- This program is intended to facilitate economic development through the establishment, stabilization, and expansion of small businesses and microenterprises to support small businesses in addressing code violations.
- Neighborhood Notification: All neighborhood organizations will be notified of the proposed program.
- City Goals: Jobs & Economic Vitality, Eco Focused, Livable Communities, Healthy Lives.
- Zoning Code: Projects will comply.
- Living Wage/Business Subsidy Agreement Yes \_\_\_\_\_ No X
- Job Linkage Yes \_\_\_\_\_ No X.

## Supporting Information

In mid-2013, Health Department Staff approached CPED Staff to develop a low-interest loan program for Minneapolis businesses to assist in financing code compliance and other remedial minor physical improvements for regulated businesses. Small businesses often struggle to pay for these needed improvements from operational cash flow and banks are reluctant to finance such improvements not connected to growth.

In the last 3 years there were 3,789 structural/equipment related health-code violations issued to small businesses in the City of Minneapolis (see exhibit 1 for details). Many of these small businesses do not have the financial capacity to absorb short term remedial improvements. Through October 1<sup>st</sup>, 2013 there were 1,415 health code violations issued this year. Assuming that each remedial improvement cost on average \$1,000.00 it adds up to \$1,415,000.00 of needed resources to bring these Minneapolis businesses up to code requirements. By implementing this program, the City of Minneapolis, will provide financial tools to support businesses to comply with health codes and Minneapolis' Green Business Program.

The goal of the Business Health and Safety Improvement Loan Program is to provide financing to businesses to make minor improvements that lead to a positive environmental impact and meet standard health and safety code requirements. A second goal of the Loan Program is to finance coolers to promote access to healthy food in corner stores and restaurants located in Minneapolis. These types of remedial physical improvements often will not be financed by private lending institutions.

As this type of small business financing is uniquely within the purview of the Minneapolis Consortium of Community Developers (MCCD) and their members, CPED Staff recommends operating this program through a partnership contract with MCCD as a revolving fund. The funds will be loaned to MCCD for a 10-year period to operate the revolving loan program. MCCD will be compensated by retaining the 3.5% loan interest rate and a one-time maintenance fee of \$19,750. MCCD will repay the principal, less any amounts written off, to the City at the end of the 10-year term. Loan defaults are estimated to be five to seven percent of the amount lent over the course of the program.

**Eligible Borrowers**

- A sole proprietorship, partnership, corporation or other business entity which is the owner and/or tenant of an eligible property within the City of Minneapolis.

**Eligible Property**

- An existing commercial property located in the City of Minneapolis.

**Eligible Uses of Funds**

Improvements including, but not limited to:

- General repairs: Flooring, grease trap installation, floor drains, automatic, roof vents, etc.
- Food service equipment such as walk-in coolers, warewashing equipment and cooling equipment.
- Pollution reduction upgrades as part of the Green Business Program.
- Other physical improvements will be considered on a case by case basis.
- Eligible upgrades will meet Energy Star requirements, if applicable.

Participants of the Healthy Corner Store Program will be eligible for a loan for cooler equipment if the store owners meet the following criteria:

- Participate in group or individual training with Corner Store Initiative staff to learn about healthy food safety, handling, and merchandising.
- Allow Corner Store Initiative staff to visit store after cooler is installed to do healthy food display enhancement.
- Allow Corner Store Initiative staff to visit store monthly for six months after the loan closing date to ensure that coolers are being used according to intended purpose (to stock healthy food items).
- Maintain Healthy Corner Store program signage (provided by Corner Store Initiative staff) near/on cooler to highlight healthy food options.
- Maintain a stock of fresh fruits and vegetables that meets the City's current Staple Food Ordinance requirements.
- Eligible equipment purchases will meet Energy Star requirements.

**Loan Details:**

- Loans up to \$10,000.00
- Improvements must be either:
  - Required Food Service Area upgrades or repair.
  - Required by other City codes.
  - Pollution reduction upgrades as part of the Green Business Program.
  - Or part of the Corner Store initiative.
- Up to 5 year loan term.
- 3.5% interest rate.
- No prepayment penalty.

The anticipated timeline for launching the Business Health and Safety Improvement Loan Program is January 2014.

## EXHIBIT 1

### BUSINESS CODE VIOLATIONS BY TYPE AND FREQUENCY

The following table shows the number and type of facility/equipment related health-code violation of businesses located in Minneapolis over the last three years:

Facility/equipment code violations	2011	2012	2013	Total
All equipment and components shall be in good repair and maintained and adjusted in accordance with manufacturer's specifications. MN Rule 4626.0735	143	416	341	900
Install and maintain in good repair, floor, floor coverings, walls, wall coverings, and ceilings to be smooth and easily cleanable. MN rule 4626.1335	154	308	307	769
Install or replace wall and ceiling attachments including light fixtures, vent covers, wall mounted fans, and decorative items to be easily cleanable. MN Rule 4626.1365	2	18	5	25
Maintain the physical facilities in good repair. MN Rule 4626.1515	114	235	192	541
Properly cove and seal wall/floor junctures and provide floor drains that are graded to drain when water flushing cleaning methods are used. MN Rule 4626.1345	5	18	10	33
Provide and maintain coving for wall/floor junctures. MN Rule 4626.1345	35	106	105	246
Provide nonabsorbent floor, wall and ceiling surfaces for food preparation areas, walk-in refrigerators, ware washing areas, toilet rooms, mobile food establishment servicing areas, hand wash areas, janitorial areas, laundry areas, interior garbage and refuse storage rooms, areas subject to flushing or spray cleaning methods, and other areas subject to moisture. MN Rule 4626.1325	8	14	11	33
Provide or replace bakery equipment to meet BISSC or NSF International Standards. MN Rule 4626.0505		1	8	9
Provide or replace food service equipment to meet NSF International Standards. MN Rule 4626.0505	240	433	373	1046
Provide smooth, non-absorbent, easily cleanable, durable floor, wall and ceiling surfaces. MN Rule 4626.1325	40	77	56	173
Provide vending machines used to dispense food or water that meet NSF International or NAMA standards. MN Rule 4626.0505		1	1	2
Remove carpeting from the following unapproved areas: MN Rule 4626.1350		6	6	12
<b>Grand Total</b>	<b>741</b>	<b>1633</b>	<b>1415</b>	<b>3789</b>